

82 - 1789

No. 82—

Office-Supreme Court, U.S.
FILED

MAY 2 1983

ALEXANDER L. STEVAS,
CLERK

IN THE
Supreme Court of the United States

OCTOBER TERM, 1982

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
Petitioner,

v.

GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA,
AND GIBRALTAR SAVINGS & LOAN ASSOCIATION,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

JOHN S. KINGDON
LESLEY A. MORADIAN
DORIS E. LONG
HOWREY & SIMON
1730 Pennsylvania Ave., N.W.
Washington, D.C. 20006
(202) 783-0800

*Counsel for Petitioner
The Prudential Insurance
Company of America*

May 2, 1983

QUESTIONS PRESENTED

1. Whether the Ninth Circuit, acting contrary to both the Fifth and Seventh Circuits, erred in denying registrant its statutorily granted right to the exclusive use of its incontestable trademarks by permitting the assertion of extra-statutory defenses to preclude all relief in an action for trademark infringement.

2. Whether the Ninth Circuit erred in holding that incontestability does not preclude the assertion of equitable defenses in addition to those expressly enumerated in the statute against the enforcement of an incontestable trademark registration under Section 1115(b).

PARTIES

All parties are named in the caption.¹

¹ In accordance with Rule 28.1 of the Rules of the Supreme Court, the parent companies, subsidiaries and affiliates of petitioner are set forth in Appendix A at 1a.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
PARTIES	i
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	1
STATUTE INVOLVED	2
STATEMENT	3
REASONS FOR GRANTING THE WRIT	5
A. INCONTESTABILITY IS A FUNDAMENTAL RIGHT UNDER TRADEMARK LAW WHICH MUST BE PROTECTED	5
B. THE CONFLICT BETWEEN CIRCUITS UNDERMINES THE PROTECTION OF IN- CONTESTABLE MARKS UNDER SECTION 1115(b)	7
C. THE NINTH CIRCUIT'S DECISION DE- PRIVES OWNERS OF INCONTESTABLE MARKS OF THEIR STATUTORILY GUAR- ANTEED RIGHTS AND ADVERSELY AF- FECTS COMPETITION	10
D. WITHOUT REVIEW BY THIS COURT IM- PORTANT TRADEMARK RIGHTS WILL CONTINUE TO BE DENIED	11
CONCLUSION	13

TABLE OF AUTHORITIES

CASES:	Page
<i>Exxon Corp. v. Humble Exploration Co.</i> , 524 F. Supp. 450 (N.D. Tex. 1981), <i>aff'd in part and rev'd in part</i> , 695 F.2d 96 (5th Cir. 1983)	8
<i>James Burrough, Ltd. v. Sign of the Beefeater, Inc.</i> , 540 F.2d 266 (7th Cir. 1976)	6
<i>John Morrell & Co. v. Reliable Packing Co.</i> , 295 F.2d 314 (7th Cir. 1961), <i>overruled</i> , <i>Union Carbide Corp. v. Ever-Ready, Inc.</i> , 531 F.2d 366 (7th Cir.), <i>cert. denied</i> , 429 U.S. 830 (1976)	9
<i>John R. Thompson Co. v. Holloway</i> , 366 F.2d 108 (5th Cir. 1966)	7
<i>Koppers Co. v. Krupp-Koppers, GmbH</i> , 517 F. Supp. 836 (W.D. Pa. 1981)	8
<i>Miss Universe, Inc. v. Miss Teen U.S.A., Inc.</i> , 209 U.S.P.Q. 698 (N.D. Ga. 1980)	8
<i>National Blank Book Co. v. National Data Products, Inc.</i> , 213 U.S.P.Q. 70 (N.D. Ind. 1981)	8
<i>Salton Inc. v. Cornwall Corp.</i> , 477 F. Supp. 975 (D.N.J. 1979)	8
<i>Schwinn Bicycle Co. v. Murray Ohio Manufacturing Co.</i> , 339 F. Supp. 973 (M.D. Tenn. 1971), <i>aff'd per curiam</i> , 470 F.2d 975 (6th Cir. 1972)	9
<i>Soweco, Inc. v. Shell Oil Co.</i> , 617 F.2d 1178 (5th Cir. 1980), <i>cert. denied</i> , 450 U.S. 981 (1981)	8
<i>St. Regis Paper Co. v. St. Regis Builders Co.</i> , 213 U.S.P.Q. 412 (D. Or. 1981)	8
<i>Tillamook County Creamery Association v. Tillamook Cheese & Dairy Association</i> , 345 F.2d 158 (9th Cir.), <i>cert. denied</i> , 382 U.S. 903 (1965)	9, 12
<i>Union Carbide Corp. v. Ever-Ready, Inc.</i> , 531 F.2d 366 (7th Cir.), <i>cert. denied</i> , 429 U.S. 830 (1976)	6, 7, 8, 9, 12
<i>United States Jaycees v. Chicago Junior Association of Commerce & Industry</i> , 505 F. Supp. 998 (N.D. Ill. 1981)	8, 12
<i>United States Jaycees v. Philadelphia Jaycees</i> , 639 F.2d 134 (3d Cir. 1981)	8

TABLE OF AUTHORITIES—Continued

Page

<i>Wrist-Rocket Manufacturing Co. v. Saunders Archery Co.</i> , 516 F.2d 846 (8th Cir.), <i>cert. denied</i> , 423 U.S. 870 (1975)	9
<i>Wrist-Rocket Manufacturing Co. v. Saunders Archery Co.</i> , 578 F.2d 727 (8th Cir. 1978)	9

STATUTES:

15 U.S.C. § 1065 (1976)	4
15 U.S.C. § 1115(b) (1976)	<i>passim</i>
15 U.S.C. § 1116 (1976)	12
28 U.S.C. § 1254(1) (1976)	1

LEGISLATIVE MATERIALS:

S. Rep. No. 1333, 79th Cong., 2d Sess. (1946), <i>reprinted in 1946 U.S. Code Cong. Serv.</i> 1274....	6, 11
---	-------

MISCELLANEOUS:

J. McCarthy, 1 <i>Trademarks and Unfair Competition</i> § 2.7 (1973)	11
J. McCarthy, <i>Important Trends in Trademark and Unfair Competition Law During the Decade of the 1970's</i> , 71 <i>Trademark Rep.</i> 93 (1981)	8, 10
Note, <i>Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation</i> , 66 <i>Minn. L. Rev.</i> 1067 (1982)	8, 12

IN THE
Supreme Court of the United States
OCTOBER TERM, 1982

No. 82—

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
v. *Petitioner,*
GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA,
AND GIBRALTAR SAVINGS & LOAN ASSOCIATION,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

Petitioner prays that a writ of certiorari issue to review a judgment of the United States Court of Appeals for the Ninth Circuit entered December 16, 1982.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit (Circuit Judges Goodwin, Hug and Boochever), reported at 694 F.2d 1150, is reprinted as Appendix B at 5a-14a. The opinion of the United States District Court for the Central District of California (District Judge Real) is reprinted as Appendix C at 15a-26a.

JURISDICTION

The decision of the Ninth Circuit Court of Appeals was entered on December 16, 1982. A timely petition for rehearing was denied on January 31, 1983. *See* Appendix D at 27a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (1976).

STATUTE INVOLVED

The statute involved is 15 U.S.C. § 1115(b) (1976) which reads in pertinent part as follows:

If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark . . . except when one of the following defenses or defects is established:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or
- (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or
- (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 12 of this Act . . .; or
- (6) That the mark whose use is charged as an infringement was registered and used prior to the

registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned . . . ; or

- (7) That the mark was been or is being used to violate the antitrust laws of the United States.

(Amended Oct. 9, 1962, 76 Stat. 769). The full text of Section 1115(b) is reprinted as Appendix E at 28a-29a.

STATEMENT

The opinion of the Ninth Circuit in this case has created a fundamental, irreconcilable conflict between that circuit and precedent in the Fifth and Seventh Circuits over the defenses available in an infringement action against litigants who own incontestable trademark registrations. The Fifth and Seventh Circuits recognize that incontestability precludes the assertion of any defense not expressly enumerated in Section 1115(b) of the Lanham Act. The Ninth Circuit, despite the clear meaning of the statute and forceful precedent to the contrary, maintains that extra-statutory defenses, such as laches, may be judicially engrafted onto Section 1115(b) to deny a registrant its statutory rights to the exclusive use of its trademark.

The Proceedings Below

On July 18, 1980, petitioner, The Prudential Insurance Company of America ("Prudential") filed suit in the United States District Court for the Central District of California against respondents Gibraltar Financial Corporation of California and Gibraltar Savings & Loan Association ("Gibraltar") charging, *inter alia*, infringement of Prudential's well known, federally registered service marks depicting the left profile of the Rock of Gibraltar. Prudential sought injunctive relief from Gibraltar's infringement of its marks.

Since 1896, Prudential has utilized a service mark depicting the left profile of the Rock of Gibraltar. Prudential currently owns six federal registrations for six versions of its Rock of Gibraltar service mark.² Five of these marks have achieved the status of incontestable marks under Section 1065 of the Lanham Act.³

Gibraltar Savings and Loan Association was formed in 1952. Two years later it began using a Rock of Gibraltar logo as its service mark. Gibraltar Financial Corporation, formed as the holding company for Gibraltar Savings and Loan Association in 1959, utilized a globe as its corporate mark until 1968. None of Gibraltar's marks has been registered pursuant to the Lanham Act.

After a trial to the court, Judge Real determined Gibraltar's use of a Rock of Gibraltar logo did not infringe Prudential's well-known Rock of Gibraltar service mark and that Prudential's claim for injunctive relief was barred by laches. Prudential appealed contending Gibraltar's use of a Rock of Gibraltar logo created a likelihood of confusion between the two marks as a matter of law and fact and that the incontestable nature of Prudential's service marks precluded the assertion of laches as a matter of law.

The Ninth Circuit held that laches barred Prudential's claim for relief. The issue of infringement was not reached. The appeals panel rejected Prudential's argument that the incontestable nature of Prudential's marks

² The marks in question bear the following registration numbers: 501,706; 615,490; 792,738; 961,764; 961,765 and 1,121,163.

³ Section 1065 of the Lanham Act provides that a federally registered trademark shall become "incontestable" if, after five years of continuous use subsequent to the date of registration, the party files the appropriate affidavit attesting to such continuous use and to current use of the mark in commerce.

Those marks at issue which have become incontestable bear the following registration numbers: 501,706; 615,490; 792,738; 961,764 and 961,765.

precluded the assertion of laches as a matter of law under Section 1115(b) of the Lanham Act. Instead, the court held that incontestability could only be used in a defensive posture to protect a mark from cancellation.

REASONS FOR GRANTING THE WRIT

A. INCONTESTABILITY IS A FUNDAMENTAL RIGHT UNDER FEDERAL TRADEMARK LAW WHICH MUST BE PROTECTED

Incontestability is one of the most important rights granted to trademark registrants under the Lanham Act. Under Section 1115(b), the Lanham Act provides that once a registered mark has become "incontestable," "the registration shall be conclusive evidence of the registrant's *exclusive right* to use the registered mark" 15 U.S.C. § 1115(b) (1976) (emphasis added). The exclusivity of the registrant's right to use the mark is, however, subject to seven specifically enumerated defenses in Section 1115(b) which may be interposed against an incontestable mark.⁴

The exclusive right to use a trademark is a potent commercial asset. Federal trademark law encourages a trademark owner to invest time and money developing

⁴ Laches is not one of the defenses listed. The seven defenses established by Congress in Section 1115(b) of the Lanham Act are:

- (1) fraudulent registration;
- (2) abandonment;
- (3) use by or with the permission of the registrant "so as to misrepresent the source of the goods or services in connection with which the mark is used";
- (4) use "otherwise than as a trade or service mark";
- (5) prior innocent adoption and use;
- (6) prior registration and use;
- (7) prior or current use to violate the antitrust laws of the United States.

15 U.S.C. § 1115(b) (1976).

the goodwill of its mark with the assurance that the mark cannot be appropriated by outsiders without legal remedy. One of the primary purposes for the enactment of the Lanham Act was to "secur[e] to the owner [of a trademark] the good will of his business. . . ." S. Rep. No. 1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S. Code Cong. Serv. 1274.

Incontestability, as defined by Section 1115(b), reinforces this important property right. The statute, on its face, strictly limits the defenses that may be asserted against a trademark owner who has complied with the registration and incontestability provisions of the Lanham Act. As limited, the statute fortifies the right of an owner of an incontestable mark to sue others for infringement. *See Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976). Moreover, the concept of incontestability itself broadens the protection afforded by the Lanham Act to owners of registered trademarks. Instead of bearing the burden of establishing both its exclusive right to use a given mark and the likelihood of confusion between its mark and defendant's mark, the owner of a trademark that has achieved incontestable status need only demonstrate likelihood of confusion to obtain relief. *See, e.g., Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d at 377.

Incontestability also reinforces a second fundamental purpose underlying the enactment of the Lanham Act—protection of the public from fraud and deceit. Congress recognized that the public has the right to "be confident that, in purchasing a product bearing a particular trademark which it favorably knows, it will get the product which it asks for and wants to get." S. Rep. No. 1333, 79th Cong. at 1274. As the Seventh Circuit stated in *James Burrough, Ltd. v. Sign of the Beefeater*, 540 F.2d 266, 274 (7th Cir. 1976): "A 'trademark' is not that which is infringed. What is infringed is the right of the public to be free from confusion" By grant-

ing the exclusive right to use a given mark to the registrant of that mark, incontestability prohibits the use of *any* confusing mark, thereby assuring the public that the mark it values and relies upon is, in fact, the mark identifying the product it is purchasing. The Ninth Circuit's decision, eroding the concept of incontestability, adversely affects the validity and enforceability of federally registered trademarks as well as consumer protection under the Lanham Act.

B. THE CONFLICT BETWEEN CIRCUITS UNDERMINES THE PROTECTION OF INCONTESTABLE MARKS UNDER SECTION 1115(b)

The conflict between the Fifth and Seventh Circuits and the Ninth Circuit regarding the effect of incontestability under Section 1115(b) on a trademark infringement action severely diminishes the Congressional protection afforded incontestable marks under the Lanham Act. The Seventh Circuit, in its landmark decision in *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976), held that Section 1115(b)'s list of defenses is exhaustive, *not* merely illustrative. Under the reasoning of the Seventh Circuit, extra-statutory defenses may *not* be interposed to cut off or otherwise impair a registrant's incontestable trademark rights. The Seventh Circuit expressly rejected the argument that Section 1115(b) was solely a defensive provision to protect the registration from attack. That court held that Section 1115(b) could also be used by a plaintiff affirmatively in an infringement suit as conclusive evidence of its exclusive right to use the mark, stating:

[O]nce incontestability is established, registrant's mark is immune from challenge on any grounds not enumerated in § 1115(b). There is no defensive/offensive distinction in the statute, and we do not believe one should be judicially engrafted on to it.

531 F.2d at 377. *See also John R. Thompson Co. v. Holloway*, 366 F.2d 108 (5th Cir. 1966) (incontestability

may be used by the registrant in an infringement action); *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980), *cert. denied*, 450 U.S. 981 (1981) (defenses listed in Section 1115(b) are exhaustive). The reasoning in *Union Carbide* has been adopted uniformly by other courts that have considered the issue and has been praised by an eminent scholar for its clarity. See, e.g., *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134 (3d Cir. 1981); *Exxon Corp. v. Humble Exploration Co.*, 524 F. Supp. 450 (N.D. Tex. 1981), *aff'd in part and rev'd in part*, 695 F.2d 96 (5th Cir. 1983); *Koppers Co. v. Krupp-Koppers, GmbH*, 517 F. Supp. 836 (W.D. Pa. 1981); *United States Jaycees v. Chicago Junior Association of Commerce & Industry*, 505 F. Supp. 998 (N.D. Ill. 1981); *Miss Universe, Inc. v. Miss Teen U.S.A., Inc.*, 209 U.S.P.Q. 698 (N.D. Ga. 1980); *Salton Inc. v. Cornwall Corp.*, 477 F. Supp. 975 (D.N.J. 1979); *National Blank Book Co. v. National Data Products, Inc.*, 213 U.S.P.Q. 70 (N.D. Ind. 1981); *St. Regis Paper Co. v. St. Regis Builders Co.*, 213 U.S.P.Q. 412 (D. Or. 1981); J. McCarthy, *Important Trends in Trademark and Unfair Competition Law During The Decade of the 1970's*, 71 *Trademark Rep.* 93, 101-06 (1981).

Union Carbide established the propriety of utilizing incontestability in an offensive posture, i.e., by the owner of the incontestable mark who is either a plaintiff or a counterclaimant. The Seventh Circuit's recognition of the all inclusive nature of the defenses listed in Section 1115(b), when coupled with this offensive posture, eliminates the applicability of any defense not listed therein, including laches. See *United States Jaycees v. Chicago Junior Association of Commerce & Industry*, 505 F. Supp. 998 (N.D. Ill. 1981). See also Note, *Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation*, 66 *Minn. L. Rev.* 1067 (1982).

In marked contrast, the Ninth Circuit herein altered the words of Section 1115(b) to include a "defensive use only" provision and judicially engrafted onto Section 1115(b) an eighth statutory defense—laches.⁵ The essence of the Ninth Circuit's error is its statement: "[I]ncontestability [is] a defensive provision only. It helps protect the registrant's mark from cancellation but is of no offensive use. Incontestability does not preclude a defense of laches." 694 F.2d at 1153. In reaching this decision, the Ninth Circuit completely disregarded *Union Carbide* and its progeny and, instead, relied on an earlier Ninth Circuit case, *Tillamook County Creamery Association v. Tillamook Cheese & Dairy Association*, 345 F.2d 158 (9th Cir.), *cert. denied*, 382 U.S. 903 (1965). The Ninth Circuit totally disregarded the fact that the Seventh Circuit in *Union Carbide* had expressly overruled the case upon which the Ninth Circuit in *Tillamook* had relied⁶ in establishing its defensive/offensive dichotomy. Therefore, the Ninth Cir-

⁵ The Eighth Circuit in *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 516 F.2d 846, 851 (8th Cir.), *cert. denied*, 423 U.S. 870 (1975), citing, *inter alia*, *Tillamook* and *John Morrell & Co. v. Reliable Packing Co.*, 295 F.2d 314 (7th Cir. 1961), *overruled*, *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d at 377, has also held that incontestability is a defensive provision that "protects the registrant from cancellation of his trademark by a prior user claiming superior rights." In a subsequent decision (post-*Union Carbide*) the Eighth Circuit indicated that the vitality of *Wrist-Rocket* might have been undermined by the Seventh Circuit's opinion in *Union Carbide*. *Wrist-Rocket Mfg. Co. v. Saunders Archery Co.*, 578 F.2d 727, 731 n.4 (8th Cir. 1978). The Sixth Circuit in *Schwinn Bicycle Co. v. Murray Ohio Mfg. Co.*, 339 F. Supp. 973, 982 (M.D. Tenn. 1971), *aff'd per curiam*, 470 F.2d 975 (6th Cir. 1972), held that incontestability is a defensive provision. That circuit has not reconsidered the issue after the *Union Carbide* decision.

⁶ *John Morrell & Co. v. Reliable Packing Co.*, 295 F.2d 314 (7th Cir. 1961), *overruled*, *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d at 377.

cuit, ignoring precedent, stands as the sole Circuit, post-*Union Carbide*, to construct an artificial distinction between the use of incontestability in an offensive or a defensive mode. All other courts have applied the concept of incontestability according to the clear words of the statute.

C. THE NINTH CIRCUIT'S DECISION DEPRIVES OWNERS OF INCONTESTABLE MARKS OF THEIR STATUTORILY GUARANTEED RIGHTS AND ADVERSELY AFFECTS COMPETITION

The judicial standard which forms the basis for the Ninth Circuit's decision herein, if allowed to stand, would deny to registrants in the Ninth Circuit their statutorily granted rights to the exclusive use of incontestable trademarks in derogation of the clear meaning of Section 1115(b) and Congressional intent in enacting the Lanham Act.

The Ninth Circuit's imposition of extra-statutory defenses and new limitations to a registrant's incontestable rights enables an infringer to invade the registrant's exclusive right to use its mark. One of the main purposes of the Lanham Act was "the creation of certain conclusive and predictable rights in mature registrations of marks." J. McCarthy, "Important Trends in Trademark and Unfair Competition Law During the Decade of the 1970s" 71 *Trademark Rep.* 93, 101 (1981).

One of these "conclusive and predictable rights" is the right to the *exclusive* use of an incontestable mark pursuant to Section 1115(b). The plain meaning of Section 1115(b) is unequivocal: "the registration shall be conclusive evidence . . . *except when one of the following defenses or defects is established.*" 15 U.S.C. § 1115(b) (1976) (emphasis added). The interposition of additional defenses by the Ninth Circuit denies a registrant its "conclusive and predictable right" to the exclusive

use of its mark, consequently precluding relief on grounds never sanctioned by Congress. Thus, in the Seventh and Fifth Circuits, an owner of an incontestable trademark can rely upon the exclusive right to use its mark, while in the Ninth Circuit, its mark is impermissibly at peril. Federal trademark rights should not be subject to such uneven treatment.

The decision by the Ninth Circuit injects a new element of uncertainty into the area of trade competition. As Congress recognized in enacting the Lanham Act: "[T]rade-marks . . . are the essence of competition" S. Rep. No. 1333, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S. Code Cong. Serv. 1274, 1275. They secure to the business community the advantages of reputation and goodwill while providing a non-conforming basis upon which consumers can select freely the goods and services they wish to utilize. *See, e.g., J. McCarthy, 1 Trademarks and Unfair Competition* § 2.7 (1973). By diluting the rights of incontestability under Section 1115(b), the Ninth Circuit has undermined the source identification role of trademarks and impermissibly altered the balance between competition and public protection which the Lanham Act represents. If the Ninth Circuit decision is not reversed, an owner who has invested time, money and energy in developing a recognizable trademark may lose its investment in the mark *even though the defendant's mark is likely to cause public confusion* with the registrant's mark.

The seven defenses specifically enumerated in Section 1115(b) were established by Congress after careful consideration of three (sometimes competing) policies: (1) protection of a valid owner's trademark against appropriation or dilution; (2) protection of the public against confusion; and (3) fostering a competitive marketplace. *See* S. Rep. No. 1333, *supra* at 1274-75. These defenses consequently represent Congress's judgment regarding the appropriate balance to be struck among

these policies in the area of trade competition. The Ninth Circuit's application of additional defenses alters this balance without Congressional sanction.⁷

Finally, the Ninth Circuit's decision diminishes the importance and integrity of federal registration of trademarks under the Lanham Act. The federal registration program is strengthened by the *Union Carbide* decision, which augments the benefits of registration by recognizing the strong incentives contained in Section 1115 (b). By contrast, the Ninth Circuit's decision subverts the strength of incontestable trademarks in infringement suits. The statutory protection of federal registration is diminished with the resulting loss to the public of the benefits of the registration system—protection of investment in goodwill, protection from public confusion and deception, and protection of free competition. There is no concomitant gain.

D. WITHOUT REVIEW BY THIS COURT IMPORTANT TRADEMARK RIGHTS WILL CONTINUE TO BE DENIED

Only this Court can reconcile the conflict that exists among the circuits regarding the effect and scope of the concept of incontestability in trademark infringement suits. Although this case afforded the Ninth Circuit the opportunity to modify its prior decision in *Tillamook* to be in accord with established precedent arising after *Union Carbide*, it failed to do so and instead adopted a

⁷ Section 1116 which provides that "[t]he several courts . . . shall have power to grant injunctions, according to the principles of equity . . . to prevent the violation of any right of the registrant" does not provide Congressional authorization for addition of extra-statutory defenses to Section 1115(b). 15 U.S.C. § 1116 (1976). The provision is directed to the fashioning of a remedy, not to the determination of liability. See, e.g., *United States Jaycees v. Chicago Junior Ass'n of Commerce & Indus.*, 505 F. Supp. 998 (N.D. Ill. 1981); Note, *Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation*, 66 Minn. L. Rev. 1067 (1982).

position uniformly rejected by other courts who have considered the issue.

The harm inflicted by the present conflict between the circuits will only be exacerbated over time. The concept of incontestability is fundamental to trademark registrants seeking to protect their federally granted rights in trademark infringement suits. Consequently, the issues presented in this case regarding the scope of protection afforded incontestable marks under the Lanham Act arise repeatedly in trademark infringement suits. Uncertainty and confusion over the extent of protection afforded an incontestable trademark is injurious to the entire federal trademark registration system. Resolution of this issue by the Court at this time will alleviate the existing conflict.

CONCLUSION

For all the foregoing reasons, the petition for certiorari should be granted.

Respectfully submitted,

JOHN S. KINGDON
LESLEY A. MORADIAN
DORIS E. LONG
HOWREY & SIMON
1730 Pennsylvania Ave., N.W.
Washington, D.C. 20006
(202) 783-0800
Counsel for Petitioner
The Prudential Insurance
Company of America

May 2, 1983

TABLE OF CONTENTS

	Page
A. LISTING OF PARENT COMPANIES, SUBSIDIARIES AND AFFILIATES OF THE PARTIES..	1a
B. OPINION OF THE NINTH CIRCUIT COURT OF APPEALS	5a
C. OPINION OF THE CENTRAL DISTRICT COURT OF CALIFORNIA	15a
D. ORDER OF THE NINTH CIRCUIT COURT OF APPEALS DENYING PETITION FOR RE-HEARING	27a
E. SECTION 1115 OF THE LANHAM ACT	28a

APPENDIX A⁸

**THE PRUDENTIAL INSURANCE COMPANY OF
AMERICA**

Subsidiaries:

PRUCO, Inc.
745 Broad St.
Newark, NJ 07102

Subsidiaries:

Bache Group, Inc.
100 Gold St.
New York, NY 10038

Flor-Ag Corporation
Ste. 172, 6220 S. Orange Blossom Trail
Orlando, FL 32809

Newark Rehabilitation, Inc.
10 Bank St. Suite 600
Newark, NJ 07102

PG Realty, Inc.
1500 Woodmen Tower
Omaha, NE 68102

PIC Realty Corp.
P.O. Box 1539
Newark, NJ 07101

Pruco Life Insurance Co. of Texas
P.O. Box 2075
Houston, TX 77001

Pruco Securities Corp.
P.O. Box 1200
Newark, NJ 07101

⁸ Information obtained from *Directory of Corporate Affiliations*
"Who Owns Whom" (National Register Publishing Co., Inc. 1983).

Pruco Services, Inc.
P.O. Box 1488
Newark, NJ 07101

Prudential Funding Corp.
Prudential Plaza
Newark, NJ 07101

Prudential Health Care Plan, Inc.
P.O. Box 2884
Houston, TX 77001

Prudential Health Care Plan of Oklahoma,
Inc.
Northwest Medical Center, Ste 400, 3330
N.W. 56th St.
Oklahoma City, OK 73112

Prudential Property & Casualty Ins. Co.
P.O. Box 419
Holmdel, NJ 07733

Prudential Trust Co.
P.O. Box 388
Fort Washington, PA 19034

Subsidiaries:

Prudential Commercial Insurance Co.
23 Main St.
Holmdel, NJ 07733

Prudential General Insurance Co.
23 Main St.
Holmdel, NJ 07733

PruCapital, Inc.
840 Memorial Dr.
Cambridge, MA 02138

Subsidiary:

PruLease, Inc.
840 Memorial Dr.
Cambridge, MA 02138

Subsidiaries:

PruFunding, Inc.
840 Memorial Dr.
Cambridge, MA 02138

PruCapital Management, Inc.
840 Memorial Dr.
Cambridge, MA 02138

PruSupply, Inc.
840 Memorial Dr.
Cambridge, MA 02138

Prudential Reinsurance Co.
P.O. Box 908
Newark, NJ 07101

Subsidiaries:

Dryden & Co., Inc.
P.O. Box 999
Chatham, NJ 07928

Essex Syndicate, Inc.
59 John St.
New York, NY 10038

Gibraltar Casualty Co.
213 Washington St.
Newark, NJ 07102

John Street Syndicate, Inc.
59 John St.
New York, NY 10038

Pruco Managers, Inc.
59 John St., Ste 900
New York, NY 10038

Pruco Syndicate, Inc.
59 John St.
New York, NY 10038

Pruco Life Insurance Co.
Prudential Plaza
Newark, NJ 07101

745 Property Investments
c/o Boston RE10
Boston, MA 02199

APPENDIX B

**UNITED STATES COURT OF APPEALS
NINTH CIRCUIT**

No. 81-5874

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
Plaintiff-Appellant,

v.

**GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA, and
GIBRALTAR SAVINGS & LOAN ASSOCIATION,**
Defendants-Appellees.

Argued and Submitted Nov. 1, 1982

Decided Dec. 16, 1982

As Amended Dec. 22, 1982

John S. Kingdon, Howrey & Simon, Washington, D.C.,
for plaintiff-appellant.

Marvin Jubas, Los Angeles, Cal., for defendant-
appellee.

Appeal from the United States District Court for the
Central District of California.

Before GOODWIN, HUG and BOOCHEVER, Circuit
Judges.

GOODWIN, Circuit Judge.

This dispute is about the likeness of a rock. Pruden-
tial Insurance Company of America alleges that Gibralt-
ar Financial Corporation of California and Gibraltar
Savings & Loan Association (collectively, Gibraltar)
have misappropriated its corporate symbol, a picture

of the Rock of Gibraltar. Prudential sued for injunctive relief alleging (1) infringement of a registered service mark under the Lanham Act, 15 U.S.C. §§ 1051-1127, (2) dilution of a registered service mark in violation of Cal. Bus. and Prof.Code §§ 14320-14330, and (3) unfair competition. Gibraltar counterclaimed, alleging that Prudential has abandoned four older versions of Prudential's logo. The district court held for Gibraltar on all issues and ordered cancellation of four of Prudential's trademark registrations. This appeal followed.

In 1896, Prudential adopted a likeness of the Rock of Gibraltar as its service mark. Prudential registered different versions of its mark in 1948, 1955, 1965, 1973 and 1979. The first four registrations had achieved incontestability status at the time of this action.

Gibraltar Savings and Loan Association was formed in 1952 and first used a rock logo in 1954. Gibraltar Financial Corporation was formed in 1959 and from that date until 1968, used a globe as its corporate mark. Gibraltar Savings and Loan expanded from 1 branch in 1960 to 77 branches in 1980.

In 1979, Prudential first complained to Gibraltar about Gibraltar's use of a rock logo. Prudential sued after Gibraltar had used the rock logo for twenty-eight years. Prudential is barred by laches.

Prudential contends that laches may preclude damages, but cannot bar injunctive relief. Prudential relies on *Menendez v. Holt*, 128 U.S. 514, 523-524, 9 S.Ct. 143, 145, 32 L.Ed. 526 (1888); *McLean v. Fleming*, 96 U.S. 245, 24 L.Ed. 828 (1877); and *Stork Restaurant, Inc. v. Sahati*, 166 F.2d 348, 363 (9th Cir. 1948). These cases do not support the proposition. The Supreme Court explicitly made laches available as an equitable defense barring injunctive relief in *United Drug Co. v. Rectanus Co.*, 248 U.S. 90, 102-103, 39 S.Ct. 48, 52-53, 63 L.Ed. 141 (1918); and *French Republic v. Saratoga*

Vichy Spring Co., 191 U.S. 427, 436-437, 24 S.Ct. 145, 146-147, 48 L.Ed. 247 (1903). These cases limited the *Menendez* and *McLean* rationale to situations involving fraudulent imitation or conscious infringement. *United Drug*, 248 U.S. at 102, 39 S.Ct. at 52. The *Stork* court found no laches based on the facts, *Stork Restaurant v. Sahati*, 166 F.2d 348, 362-363 (9th Cir. 1948), and stated in dicta that laches could not bar injunctive relief. In light of *United Drug* and *Saratoga Vichy*, *Stork Restaurant* should be read for the limited proposition that the defense of laches was not made out in that case. See *National Van Lines v. Dean*, 237 F.2d 688, 693-694 (9th Cir. 1956) (defense of laches not made on facts).¹

Four of Prudential's rock marks have incontestable status under 15 U.S.C. § 1065. Prudential alleges that only the defenses enumerated in 15 U.S.C. § 1115(b) can apply against incontestable marks; laches is not one of these. Gibraltar responds that 15 U.S.C. § 1116 calls on the courts "to grant injunctions, according to the principles of equity. . . ." in protecting trademark registrants' rights and, therefore, laches can apply.² This

¹ There is a wealth of authority in other circuits that laches can bar injunctive relief. See, e.g., *Skippy, Inc. v. CPC International, Inc.*, 674 F.2d 209, 212 (4th Cir. 1982) (30-year delay constitutes laches); *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037, 1040-1042 (2nd Cir. 1980) (proposition that laches cannot bar injunctive relief has long been rejected); *Safeway Stores, Inc. v. Safeway Quality Foods, Inc.*, 433 F.2d 99, 102-103 (7th Cir. 1970) (16-year delay constitutes laches); *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2nd Cir. 1964) (18-year delay constitutes laches); *Anheuser-Busch v. Du Bois Brewing Co.*, 175 F.2d 370, 376-377 (3rd Cir.), cert. denied, 339 U.S. 934, 70 S.Ct. 664, 94 L.Ed. 1353 (1950) (30-year delay constitutes laches); *Standard Oil Co. v. Standard Oil Co.*, 252 F.2d 65, 76-77 (10th Cir. 1958) (defense available but denied on facts).

² Commentators are uncertain about the effect of incontestability. See *Developments in the Law—Trademarks and Unfair Competition*, 68 Harv.L.Rev. 814, 829-830 (1955). Some circuits consider incontestability to be a defensive provision only; that is, useful only when

court considers incontestability to be a defensive provision only. It helps protect the registrant's mark from cancellation but is of no offensive use. Incontestability does not preclude a defense of laches. *Tillamook County Creamery Ass'n v. Tillamook Cheese and Dairy Ass'n*, 345 F.2d 158, 163 (9th Cir.), *cert. denied*, 382 U.S. 903, 86 S.Ct. 239, 15 L.Ed.2d 157 (1965).

Prudential invites this court to overrule *Tillamook*. We decline for two reasons: First, precedent should be followed unless good reason counsels change. No such reason exists. The effect of 15 U.S.C. § 1115(b) is unclear; and both positions regarding the offensive/defensive distinction are reasonable readings of the statute.³ Second, the availability of a laches defense narrows the protection afforded trademarks. For policy reasons, this circuit has expressed a preference to read the Lanham Act narrowly. *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir.), *cert. denied*, 452 U.S. 941, 101 S.Ct. 3086, 69 L.Ed.2d 956 (1981). The Act protects against fraud

cancellation proceedings are initiated against a mark. *Tillamook County Creamery Ass'n v. Tillamook Cheese and Dairy Ass'n*, 345 F.2d 158 (9th Cir.), *cert. denied*, 382 U.S. 903, 86 S.Ct. 239, 15 L.Ed.2d 157 (1965). Other circuits make no offensive-defensive distinction, allowing incontestability to be used against an alleged infringer, *Union Carbide Corp. v. EverReady, Inc.*, 531 F.2d 366, 371-377 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976).

³ Commentators are either uncertain, *see Developments in the Law—Trademarks and Unfair Competition*, 68 Harv.L.Rev. 814, 830 (1955), or split on the issue. Compare, Callmann, *Unfair Competition and Trade-Marks*, 2dEd., Vol. 4, § 93.3(c)(1), p. 2075-2076 (incontestability is defensive only) with J. Thomas McCarthy, *Important Trends in Trademark and Unfair Competition Law During the Decade of the 1970's*, 71 Trade-Mark Rep. 83, 101-106 (1981) (praising *Union Carbide* decision), and Note *Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation*, 66 Minn.L.Rev. 1067 (1982) (argues incontestability should preclude equitable defenses).

and consumer confusion. See *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (trademark laws exist not to protect trademarks, but to protect consuming public from confusion, concomitantly protecting trademark owner's right to non-confused public). To read the Act more broadly invites anticompetitive and irrational market behavior. *Smith v. Chanel, Inc.*, 402 F.2d 562, 566 (9th Cir. 1968). See Brown, *Advertising and the Public Interest*, 57 Yale L.J. 1165, 1185-1206 (1948) (distinguishes "informative" from "persuasive" functions of trademarks and argues only former should be legally protected).

Prudential makes three factual allegations in an attempt to avoid the application of laches: (1) Gibraltar did not use the Rock logo continuously; (2) Gibraltar changed its rock to look more like Prudential's rock over the years; and (3) Gibraltar grew prodigiously from 1 office in the early 1960's to 77 offices in 1980.

The first allegation is unsupported. Gibraltar Financial Corporation and Gibraltar Financial, Insurance Division, used marks other than variations of the rock between 1959 and 1968. However, it is uncontroverted that Gibraltar Savings and Loan used the rock logo from 1954 until today. The rock logo also represented all of the Gibraltar family of organizations from 1954 to 1959, and from 1968 until today.

Prudential alleges Gibraltar more closely imitated its rock over the years. Prudential relies on inferences drawn from comparison of the respective changes made in the design of the rock logo by the companies over the years. Inspection of the marks provided in Prudential's brief fails to show increasing similarity between Prudential and Gibraltar logos. The marks of the two companies looked as similar twenty-eight years ago as they look today, probably because they represent the same rock, albeit with decreasing fidelity to the real thing.

Prudential's third allegation is that because Gibraltar has progressively encroached upon Prudential's mark over time, laches cannot bar injunctive relief. The argument appears to be two-pronged: (1) Gibraltar's business has expanded over time; and (2) Gibraltar's use of the symbol has expanded and progressively encroached on Prudential's symbol.

Prudential bases its theory of symbolic encroachment on two allegations: (1) that Gibraltar modified its mark over the years to approximate Prudential's mark more closely; and (2) that Gibraltar recently entered the television advertising arena. The first allegation has already been discussed. The record shows that Gibraltar has engaged in TV advertising for nearly twenty years. The volume of Gibraltar's television advertising has increased, and the use of the rock logo has become more frequent. However, these facts are not adequate to support the theory of gradual encroachment.

Prudential also alleges that Gibraltar's expansion in type and amount of business constitutes progressive encroachment and thus laches is no bar to relief. Prudential relies on *California Packing Corp. v. Sun-Maid Raisin Growers*, 81 F.2d 674 (9th Cir.), *cert. denied*, 298 U.S. 668, 56 S.Ct. 833, 80 L.Ed. 1391 (1936). *Sun-Maid* is inapposite because it is a contract case in which plaintiff and defendant agreed to defendant's use of the Sun-Maid label on raisins only. When defendant expanded its product line to other fruits, plaintiff immediately protested. The court held that use of the Sun-Maid label as allowed by contract did not raise a laches defense to use of "Sun-Maid" on other fruits in violation of the contract. *Id.* at 676, 679-680.

Prudential also relies on a number of other progressive encroachment cases, principally *Chandon Champagne Corp. v. San Marino Wine Corp.*, 335 F.2d 531, 535 (2nd Cir. 1964); *Miss Universe, Inc. v. Patricelli*, 271 F. Supp. 104, 110 (D. Conn. 1967), *affirmed*, 386

F.2d 997 (2nd Cir. 1967); *Standard Oil Co. v. Standard Oil Co.*, 252 F.2d 65 (10th Cir. 1958); *Independent Nail & Packing Co. v. Stronghold Screw Products, Inc.*, 205 F.2d 921, 927 (7th Cir.), *cert. denied*, 346 U.S. 886, 74 S.Ct. 138, 98 L.Ed. 391 (1953). These cases all rely on the principle that if the junior user of a mark moves into direct competition with the senior user, selling the same "product" through the same channels and causing actual market confusion, laches is no defense. Gibraltar has not moved into direct competition with Prudential as contemplated in these cases. Gibraltar and Prudential do not offer the same services to any substantial extent and there is no evidence that actual confusion of their services has occurred.

As for expansion in amount of business, it is true that Gibraltar has grown tremendously, but growth alone does not infringement make. *See, e.g., Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 498 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961) (laches barred plaintiff because of failure to act while defendant was small). In *Dwinell-Wright Co. v. White House Milk Co.*, 132 F.2d 822 (2d Cir. 1943) the court held that laches barred injunctive relief because "[f]rom the first moment when it learned of . . . [defendant's] use of the mark . . .—sixteen years—the plaintiff did nothing to stop that use; it merely stood aside and watched the business grow at great cost to colossal proportions." *Id.* at 825. We find no error in the district court's factual basis for finding laches.

Prudential's allegations of dilution and unfair competition under California law are also barred by laches. In addition, the unfair competition claim fails for lack of evidence of confusion by purchasers as to source as required by California law. *Walt Disney Prod. v. Air Pirates*, 581 F.2d 751, 760 (9th Cir.), *cert. denied*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979).

Prudential argues the lower court erred in finding that Prudential and Gibraltar do not compete, contending that: (1) Gibraltar also sells insurance; (2) Gibraltar and Prudential are both financial institutions which take surplus funds from the public and invest the funds for a profit; and, (3) even if the two companies do not compete extensively now, deregulation will make them competitors.

The district court found that Gibraltar sells a small amount of insurance, mostly in conjunction with home mortgage and building loans. The record shows that insurance sales comprise less than 0.3 percent of Gibraltar's business and that this insurance is sold primarily to depositors and borrowers. Savings and loan associations routinely insure mortgage payment. Such insurance, not sold to the public at large, does not make Gibraltar a competitor of Prudential. A different case would be presented if Gibraltar attempted to enter the general insurance market on a broad scale.

Prudential next argues that both companies are in the business of acquiring surplus funds for investment at a profit. Though analytically attractive, the claim is flawed for two reasons. First, it is too broad. Almost every purchase can be said to be made with "surplus funds," and every corporation which thus acquires funds is free to invest those funds for long or short-term profit. These two corporations are competitors only in the sense that at any given time, the investment pie is divided into finite pieces.

Second, the argument ignores the function of a trademark: identification of a product or service to the consumer. Though term insurance and a savings account may have some similarity in an economic sense, most consumers would perceive insurance as a hedge against risk and not as capital accumulation. A savings account is the reverse. Use of similar symbols to identify different products presents less of a problem of confusion than if both parties supplied the same service.

Prudential also contends that given the rapid change in financial institutions, the two companies will soon compete in a wide variety of services. This argument is speculative. No one knows the future contours of banking, savings and loan, and insurance regulation. Even if the regulatory framework were amended to allow unfettered expansion, whether such growth and service competition will occur is a matter entrusted to private decision-makers as business needs and opportunities dictate. The mere possibility of future competition is too tenuous a basis upon which to reverse the district court. On the record developed in the trial court in this case, the growth of the companies and the changes in their services do not create a basis for relief. Nothing in this opinion will preclude new litigation if new facts develop. A remedy will be available when the necessary facts arise.

The district court excluded from evidence Prudential's survey showing that 14 percent to 31 percent of the public identify Gibraltar's logo with Prudential's logo. Prudential alleges the court improperly excluded the survey as unreliable and as hearsay evidence. The district court stated the evidence "did not meet the reliability requirements necessary to overcome its hearsay character." This composite conclusion was incorrect. Reliability and hearsay are linked conceptually for certain purposes, but not in the way the trial court linked these concepts in this case. Neither premise is a basis for rejecting survey evidence.

Technical unreliability goes to the weight accorded a survey, not its admissibility. *C.A. May Marine Supply Co. v. Brunswick Corp.*, 649 F.2d 1049, 1055 and n.10 (5th Cir. 1981). Surveys are admissible, if relevant, either as nonhearsay or through a hearsay exception. *Zippo Manufacturing Co. v. Rogers Imports, Inc.*, 216 F.Supp. 670, 682-684 (S.D.N.Y. 1963). Surveys conducted according to accepted principles are routinely admitted. See, e.g., *Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982). A few cases do support

the position taken by the district court. See, e.g., *American Foot Wear Corp. v. General Footwear Co.*, 609 F.2d 655, n.4 (2d Cir.), cert. denied, 445 U.S. 951, 100 S.Ct. 1601, 63 L.Ed.2d 787 (1980) (trial court properly excluded survey which contained self-serving questions and which failed to duplicate actual marketing conditions). The majority view, however, to admit the survey and discount its probative value, seems the better course.

Nonetheless, exclusion failed to prejudice Prudential because the survey showed only that the Prudential rock and the Gibraltar rock are linked in the public eye. It failed to show any confusion between Gibraltar's services and Prudential's services and that failure, together with the fact that twenty-eight years of coexistence had produced no examples of actual confusion, make the fear of confusion in the future problematic.

Gibraltar presented evidence from Prudential's Graphic Standards Manual that Prudential intended to abandon its marks registered in 1948, 1955, 1965, and 1973. Gibraltar did not show that actual use of the old marks had ceased. The evidence showed that not only did Prudential continue to use old stationery and related items, but that the company continued to commission advertisements using the old logos.

Title 15 U.S.C. § 1127 states, in relevant part, "A mark shall be deemed to be 'abandoned'—(a) When its use has been discontinued with intent not to resume." The section requires two elements, nonuse and intent not to resume use. *Saratoga Vichy Spring Co. v. Lehman*, 625 F.2d 1037 (2d Cir. 1980). Abandonment of a trademark, being in the nature of a forfeiture, must be strictly proved. *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134, 139 (3rd Cir. 1981). The district court clearly erred in ignoring evidence of Prudential's continued use of its older marks. The order of the district court to cancel four of Prudential's service marks is vacated. In all other respects, the judgment is affirmed.

Affirmed in part, vacated in part.

APPENDIX C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CV 80-3162-R

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
Plaintiff,

v.

GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA,
and GIBRALTAR SAVINGS & LOAN ASSOC.,
Defendants.

OPINION

This action brings plaintiff, The Prudential Insurance Company of America, a New Jersey Corporation (PRUDENTIAL) and Gibraltar Financial Corporation of California, a Delaware Corporation and Gibraltar Savings and Loan Association, a California Corporation (jointly hereafter GIBRALTAR) into conflict over the use of a likeness of the Rock of Gibraltar as a service mark. PRUDENTIAL also adds claims of unfair competition and dilution of the service mark under California law.

PRUDENTIAL began selling insurance to the public late in the 19th century. In 1896 PRUDENTIAL adopted as a service mark a depiction of the left face of the British owned fortress at the Atlantic entry to the Mediterranean Sea known as the Rock of Gibraltar. Since 1896 the service mark has been used in connection with PRUDENTIAL's sale of life insurance and its later involvement in real estate mortgage loans. The real estate mortgage loan business is one largely limited to financing large developments usually in excess of one million dollars. This real estate mortgage business is

accomplished exclusively through independent brokers or dealing directly with large land developers and builders.

In the mid 1970s PRUDENTIAL first entered on an effort to sell casualty insurance with a concentrated television campaign featuring a slogan to "get" or "own a piece of the rock." This multimillion piece of the rock campaign prominently featured PRUDENTIAL's rock service mark. Before its entry into the casualty insurance market PRUDENTIAL's advertising and public relations budget was almost exclusively dedicated to the sale of life insurance to the general public.

PRUDENTIAL first registered in the United States Patent and Trademark Office the depiction of the left face of the Rock of Gibraltar as a design mark in 1948 (1948 mark). Since 1948 PRUDENTIAL has made separate registrations in 1955 (1955 mark), 1965 (1965 mark), 1973 (1973 mark) and 1979 (1979 mark). The 1979 Mark, now being used exclusively by PRUDENTIAL as its service mark, is a stylized depiction of the Rock of Gibraltar.

GIBALTAR is a savings and loan association chartered by and operating under the regulatory laws of the State of California. GIBALTAR began its Gibraltar existence in Los Angeles in 1952 when it was chartered by the State of California. It has through acquisitions, affiliations and newly issued charters now expanded its operations to 75 locations all within the State of California. Since its formation GIBALTAR has engaged in the business of attracting savings deposits from and making real estate loans to individuals of the general public. If GIBALTAR's business can be characterized in any fashion it is in single family residential loans.

As part of its loan business GIBALTAR acts as insurance agent or brokers to provide casualty insur-

ance service for its depositors and/or borrowers. These insurance services have been provided by GIBALTAR continuously since 1952. GIBALTAR also provides a type of life insurance sold in conjunction with its real estate loans to protect the borrower's equity in the encumbered property during the period of the loan. This insurance is offered by most, if not all, institutions that make residential loans to individual borrowers.

In 1980 the law of California was amended to permit savings and loan associations to offer to the public a new service—the checking account. GIBALTAR, now competing with full-service banking institutions began an advertising campaign to sell its checking account service. In keeping with the fertility of the advertising mind GIBALTAR adopted “Rock-Solid” as the identification of its new service. It appears that this is the only identifiable reason that this action was commenced by PRUDENTIAL.

GIBALTAR came to its name in 1952 at the suggestion of Mrs. Rose Barlow, the wife of the founder. As part of the embryonic stirrings GIBALTAR adopted a crude but recognizable left face depiction of the Rock of Gibraltar as a logo in its publication of “The Gibraltar Quarterly” started in July 1953 to advertise its policy of $3\frac{1}{2}\%$ interest dividends on accounts paid quarterly. The 1950s generation was bombarded by the voice of Harold Perry—the Great Gildersleeve of radio fame—announcing “Get that good solid feeling at . . .”

As GIBALTAR's growth mirrored California's home building explosion of the 1950s GIBALTAR built its headquarters in Beverly Hills, California at Gibraltar Square in 1959. This building prominently displayed a depiction of the Rock of Gibraltar at its entrance on Wilshire Boulevard approximately two miles from the Western Home Office of PRUDENTIAL. Significantly, PRUDENTIAL's offices were identified simply with the word PRUDENTIAL on its sides. No use was made of

the Rock of Gibraltar service mark anywhere upon the PRUDENTIAL property known as Prudential Plaza.

In spite of GIBALTAR's notorious use of a depiction of the Rock of Gibraltar on its buildings, in its advertising and on its stationery, PRUDENTIAL did not, until December 1979—some 28 years after GIBALTAR's first use—complain of GIBALTAR's use.

Protection in the use of a registered trade or service mark under federal law is provided by the Lanham Act codified as Title 15 USC § 1051 et seq. PRUDENTIAL, has for purposes of protection of its latest depiction of the Rock of Gibraltar as a trade mark, met all the requirements of the Lanham Act. The so-called highly stylized mark was registered June 26, 1979

For: PROVIDING ALL FORMS OF INSURANCE PROTECTION AND SERVICES INCIDENTAL THERETO, INCLUDING LIFE, HEALTH ANNUITIES AND PENSION AND PROFIT SHARING FUNDS, PROPERTY AND CASUALTY AND REINSURANCE; ALSO INDEPENDENT ADMINISTRATIVE SERVICES OF THE TYPE PERFORMED IN THE NORMAL CONDUCT OF ITS INSURANCE OR ANNUITY OPERATIONS INCLUDING CONSULTATIVE, ACTUARIAL, DATA PROCESSING, ACCOUNTING AND CLAIMS SERVICES; CORPORATION FINANCING AND MORTGAGE LENDING SERVICES; AND INVESTMENT SERVICES INCLUDING THE PURCHASE AND SALE OF REAL ESTATE AND SECURITIES IN CONNECTION WITH FUND MANAGEMENT; ALL OF WHICH ARE ENGAGED IN BY THE APPLICANT DIRECTLY OR THROUGH SUBSIDIARIES IN CLASS 36 (U.S. CL 102).

With that registration came protection from infringement as provided in 15 USC § 1114 which in pertinent part says:

§ 1114. Remedies; infringement; innocent infringement by printers and publishers.

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
or

* * * *

shall be liable in a civil action by the registrant . . .

PRUDENTIAL lays claim to the depiction of the Rock of Gibraltar on what appears to be an exclusive right to use. What should be remembered is that PRUDENTIAL does not own the Rock of Gibraltar. It is the property of Great Britain. No person or entity has exclusive use to the reproduction of what generations of geography and history students have recognized as the southern most tip of the Iberian Peninsula and the gateway to the Mediterranean Sea. The fame and recognizability of the Rock of Gibraltar (cartoonists notwithstanding) does not come from some stylized version of its left face used by either PRUDENTIAL or GIBALTAR but rather from the impregnable nature of the fortress that has endured as a small speck of the British Empire through centuries to the present day. The innocent adoption of this symbol of strength, particularly by a financial institution bearing the name "Gibraltar" does not therefore seem as incredulous as counsel for PRUDENTIAL may want to believe. Reliance on *Bevins Manchester Corporation v. Soft Brush Car Wash Systems, Inc.* 207 USPQ 757 (E.D. Vir. 1980), *Fotomat Corp. v. Cochran* 437 F. Supp 123 (D. Kan. 1977) *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149 (9th Cir. 1963) and *HMH Publishing Co. Inc.*,

v. Brincat, 504 F.2d 713 (9th Cir 1974) misses the point.

PRUDENTIAL claims that this action was filed "simply attempting to avoid confusion, so that significant portions of the public will not believe that either of defendants is in any way sponsored, affiliated, or connected with plaintiff." (Plaintiff's Post Trial Reply Brief pp. 4-5). The protections of 28 [sic] USC § 1114 would offer little more whether infringement is approached from "confusion of source" or "confusion of sponsorship." To treat "source" and "sponsorship" as different concepts is pure semantic sophistry. It is difficult to conceive that the source of a product or service identified by a trademark would not claim sponsorship.

The evidence of the likelihood of confusion in this case takes on two aspects. First the fact that in 28 years of the use by GIBRALTAR of various depictions of the Rock of Gibraltar as its logo no more than one or two instances of momentary confusion have been uncovered.

PRUDENTIAL would have this Court disregard that evidence in slavish adherence to a concept of "likelihood of confusion" as though prescience is somehow more accurate than historical fact in determining whether in the everyday use of similar marks the public has been or will be confused as to the source or sponsorship of the product under consideration. The cases cited by plaintiff for the proposition that a "likelihood of confusion" is the sole consideration of courts in trademark infringement cases are distinguishable. Those cases all involved claimed infringement of rather recent origin where a court is left only with whatever prescience it can bring to bear on future preceptions [sic] of consumers in the purchase of products. The concern of § 1114 is to distinguish a mark that is "likely to cause confusion, or to cause mistake, or to deceive." That the public has not been confused, mistaken or deceived by GIBRAL-

TAR's logo in use for 28 years must be considered if a court is to determine actionable infringement under § 1114. There can be no more persuasive evidence that a "likelihood of confusion" is just not a fact of life in this litigation. The reality of yesterday is more than just a prelude to the prescience of tomorrow.

PRUDENTIAL offered testimony of an expert in trademark law on the question of likelihood of confusion. The Federal Rules of Evidence Rule 702 provides in part:

Rule 702 Testimony by Experts

If scientific technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue, a witness qualified as an expert . . . may testify thereto in the form of an opinion or otherwise.

Certainly Rule 702 has broadened the common law scope of expert testimony. One need only look to the elimination in Rule 704 of the common law prohibition of testimony on an ultimate issue to recognize the liberalization of evidentiary consideration of expert testimony. The Federal Rules of Evidence are explicit, however, in their reach into the decision making reserved to judges. The expertise of a witness is a judicial decision. So too, the judge is left discretion with the decision as to whether or not expert evidence "will assist the trier of fact to understand the evidence or to determine a *fact* in issue." It is with this latter consideration that the great bulk of the proffered testimony of PRUDENTIAL's expert runs afoul.

The law is not the subject of expert testimony and Rule 702 makes no changes in the common law approach to expert testimony on domestic law.

Given the expertise of PRUDENTIAL's witness he certainly fell into attempted lectures on the *law* particularly

in the area of likelihood of confusion. From the pedagogical exposition on trademark law the expert offered his personal opinion on what the public would perceive in observing Gibraltar's use of the Rock of Gibraltar logo. Aside from its help—if admissible—to the trier of fact that opinion came simply without knowing GIBRALTER's use of its logo nor testing the perceptions of the public in obtaining offered services from either PRUDENTIAL or GIBALTAR. Any legal expertise of the witness was far outweighed by the abysmal absence of knowledge of the facts of this case.

PRUDENTIAL also commissioned a marketing analysis and survey to determine a likelihood of confusion by "polling the public" on, what the pollster communicated to his supervisors, as, "a study to be conducted on the identification of company names and symbols."

Public opinion and perceptions have often been measured by persons who have become expert in the methodology of sampling and polling parts of the affected public and statistically extrapolating that information to the opinion of what the members of the public generally perceive or know about a subject. These polls and surveys have been admitted by Courts in trademark infringement cases to satisfy the evidentiary requirements or show likelihood of confusion of source and/or sponsorship. Whether admissible because they are not hearsay i.e. offered not to prove the truth of the statements made, or as an exception to the hearsay rule i.e. offered to prove state of mind, attitude or belief, polls and surveys must be reliable. Reliable both in the sense that it has some guaranty of trustworthiness and that it is designed to measure the reach of the inquiry under consideration. PRUDENTIAL'S offer failed on both prongs of the reliability test.

PRUDENTIAL offered testimony of the designer of the poll and the supervisors who supervised the interviewers. But neither the designer nor the supervisors could tell the Court that the instructions given the inter-

viewers were in fact carried out. This foundational evidence cannot be offered through hearsay statements of the interviewers or beliefs that the instructions in fact were carried out. It must come from the persons charged with the responsibility of asking questions of the public. They must be available to be tested in the crucible of reliability—cross examination.

Secondly the poll was designed, according to PRUDENTIAL's expert, to identify company names and symbols. This is not the measure of the confusion or mistake required for actionable infringement under § 1114 considered by Courts under the rubrics of likelihood of confusion of source and/or sponsorship.

Likelihood of confusion must be determined in the context of the use of a trademark by its owner and the use by the alleged infringer. Here, the use by GIBALTAR of the Rock of Gibraltar logo is with its corporate name "GIBALTAR." It has universally been used as a "composite mark." PRUDENTIAL's poll has some important failings in this respect. The identification of a Rock of Gibraltar logo with PRUDENTIAL needs no poll to establish. The test however is not identification but rather whether a person dealing with GIBALTAR will likely be confused, mistaken or deceived into believing that PRUDENTIAL is providing the service or somehow sponsors GIBALTAR services. Simple identification is particularly easy in recent years when the American public has been under constant bombardment of PRUDENTIAL's "piece of the Rock" commercials on television. More importantly the poll requires the questioner to ask "What company, if any do you believe is connected with this company?" To the person viewing a GIBALTAR advertisement as a pollee, he or she is immediately put on notice that the questioner is looking for another name to the exclusion of an answer involving GIBALTAR. In fact none of the survey was approached with the thought in mind that PRUDENTIAL's use of its Rock of Gibr-

tar logo has been used almost exclusively in connection of the sale of life insurance while GIBALTAR's composite mark incorporating the Rock of Gibraltar logo is used in its primary business of attracting savings accounts and making single family real estate mortgage loans. The poll therefore did not meet the reliability requirements necessary to overcome its hearsay character. Neither was there sufficient foundation to show that even if reliable, the poll was conducted as designed.

There is a significant difference in the common use of the Rock of Gibraltar logo by these parties than in those cases in which the use of colorably similar logos have been held to be infringing one of [sic] the other. PRUDENTIAL and GIBALTAR meet competitively in an area of concurrent sale, only in the sale of casualty insurance. Even this concurrence of sales is somewhat attenuated because GIBALTAR's market for casualty insurance has been limited since its first furnishing a casualty insurance service in 1954 to its own customers in the State of California. PRUDENTIAL on the other hand undertook an intensive "piece of the rock" television campaign upon its first entry into the casualty insurance business in 1975. The argument of PRUDENTIAL seems somehow to press on the Court by its argument of increased harm that PRUDENTIAL can by its own action of entry into the casualty insurance field buy its position of competition as one of the strengths of its equitable position in this case. To bridge a twenty year gap—1954 for GIBALTAR—1975 for PRUDENTIAL—into a competitive relationship by the simple expenditure of great sums of money is an intolerable imposition upon the principles of equitable remedies.

PRUDENTIAL's mark and GIBALTAR's mark, as used, fail in similarity. GIBALTAR's mark, as used, does not infringe PRUDENTIAL's mark because of its composite character and for lack of any likelihood of confusion.

There is a further reason for denying PRUDENTIAL's claim for injunctive relief. GIBRALTAR's open and notorious use of its various depictions of the left face of the geographic "Rock of Gibraltar" landmark has continued over 28 years with the full knowledge and acquiescence of PRUDENTIAL. PRUDENTIAL argues to the Court the complete lack of a laches or estoppel defense. None of plaintiff's cited cases have been decided on the absence of a laches or estoppel defense but rather on the basis that a consideration of the facts did not lead to a finding of laches or estoppel. It seems curious that a person can lose all rights in real property by adverse possession (a specie of laches or estoppel) but cannot be estopped to claim injunctive relief in a trademark case. When the facts in any other context are so compelling it would be intolerable that a party who has for 28 years relied on the unfettered ability to use an adopted logo should now find itself in a position to be unable to use the composite mark it has established in a successful savings and loan business. It is even more intolerable when that very success is attempted to be turned against GIBRALTAR as the only reason for the need of injunctive relief. GIBRALTAR's success has neither been at the expense of PRUDENTIAL nor in the public's confusion that GIBRALTAR either was an alter ego of PRUDENTIAL or was sponsored in its business practices by PRUDENTIAL. To grant injunctive relief under such circumstances would torture equity beyond recognition.

The failure of PRUDENTIAL's claim under the Lanhan Act similarly defeats its unfair competition and dilution claims under California law.

GIBRALTAR's counterclaims ask for cancellation of PRUDENTIAL's registered mark.

Upon receipt of its registration No. 1121163 PRUDENTIAL invoked the requirements of its Graphic Standards Manual which provide:

"The Rock and Slogan

The new engraved version of the Rock is now the *only* Rock of Gibraltar symbol that may be used hereafter on new designed material. The outdated Prudential Rocks, shown below, must no longer be used." (emphasis is original) Graphic Standards Manual, p. D-2.

The instruction is clear that all previous registrations would no longer be used in connection with trademark identification of PRUDENTIAL's services. The evidence showed that PRUDENTIAL's practice of trademark use was consistent with the admonition of the Graphic Standards Manual. PRUDENTIAL except for uses of historical interest has abandoned the marks under Registrations 501706, 615490, 792730, 916764 and 961765. Those registrations must be cancelled.

This opinion shall be deemed to be the Findings of Fact and Conclusions of Law necessary to the judgments ordered herewith.

Judgment shall be entered for the defendant and against the plaintiff on the trademark infringement, dilution and unfair competition claims.

Judgement shall be entered for counterclaimant for cancellation of Registrations 501706, 615490, 792730, 916764 and 961765.

Defendant and counterclaimant is awarded its costs of suit.

DATED: June 26, 1981.

/s/ Manuel L. Real
MANUEL L. REAL
United States District Judge

APPENDIX D

**UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT**

No. 81-5874

DC No. CV 80-1362 R
(Central District California)

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
Appellant,

v.

GIBRALTAR FINANCIAL CORPORATION OF CALIFORNIA, and
GIBRALTAR SAVINGS & LOAN ASSOCIATION,
Appellees.

ORDER

Before: GOODWIN, HUG and BOOCHEVER, Circuit
Judges.

Appellant's petition for rehearing is denied.

APPENDIX E

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the foods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

(b) If the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section 1065 subject to any conditions or limitations stated therein except when one of the following defenses or defects is established:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a trade or service mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe to users the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to registration of the mark under this chapter or publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States.

(July 5, 1946, c. 540, Title VI, § 33, 60 Stat. 438; Oct. 9, 1962, Pub. L. 87-772, § 18, 76 Stat. 774).